SUPREME COURT, U. S.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1968

No. 912

THE IMPERIAL TOBACCO COMPANY (of Great Britain and Ireland), LIMITED, *Petitioner,*

v.

PHILIP MORRIS INCORPORATED, *Respondent.*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fourth Circuit, entered in the above entitled case on August 23, 1968.

CITATIONS TO OPINIONS BELOW

The opinions [1] of the District Court are reported at 251 F.Supp. 362 (E.D. Va. 1965) and at 282 F.Supp. 931 (E.D. Va. 1967) and are printed in Appendix A hereto, *infra,* pp. 8a and 40a respectively. The consequent judgment of the District Court is printed in Appendix A, *infra,* p. 5a. The opinion[2] of the Circuit Court of Appeals is reported at 401 F.2d 179 (4 Cir. 1968) and is printed in Appendix A, *infra,* p. 1a. The order of the Circuit Court of Appeals denying a Petition For Rehearing is printed in Appendix A, *infra,* p. 4a.

JURISDICTION

The judgment of the Court of Appeals was entered on August 23, 1968. The order of the Court of Appeals denying a timely Petition For Rehearing was entered on October 3, 1968, p. 4a, *infra.* On December 31, 1968, Mr. Justice Stewart granted Petitioner's Emergency Application For Extension Of Time To File Petition For Writ Of Certiorari, extending the time for filing this Petition to January 7, 1969. The jurisdiction of this Court is invoked under 28 U.S.C. Section 1254(1).

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[1] After determining for Respondent on certain issues presented by the Complaint and Answer herein, the District Court was persuaded that its Findings and Conclusions did not dispose of certain additional issues tendered by the Counterclaim. It therefore permitted the pleadings to be amended more explicitly to set forth the undecided issues and, after a second trial limited to those issues, decided them partially in favor of Petitioner. Hence the two opinions of the District Court.

[2] The reported text is as amended by the Order on Petition for Rehearing.

QUESTIONS PRESENTED

I. What did this Court mean by its decision in *United States* v. *American Tobacco Co.*, 221 U.S. 106 (1911), dissolving "The Tobacco Trust", where it said, at page 185:

> "* * * three dominant influences must guide our action [in framing relief]: 1. The duty of giving complete and efficacious effect to the prohibitions of the statute; 2. the accomplishing of this result with as little injury as possible to the interest of the general public; and 3. a proper regard for the vast interests of private property which may have become vested * * *?

In particular, what is the effect of those words upon the proper interpretation to be given to the decree entered by the Circuit Court pursuant to that decision where it ambiguously provides

> "* * * each company [would] treat as its own, but only to the extent provided for in said contracts, all brands and trademarks which by said contracts, it was given the right to manufacture and sell, the said rights having been perpetual and constituting in effect a conveyance of the brands and trademarks used in the countries * * *". *United States* v. *American Tobacco Co.*, 191 F. 371, 418 (C.C.S.D.N.Y. 1911)?

II. Or, stated in practical terms, were the Courts below correct in finding themselves constrained by the expressed intent of this Court, as they felt it, to construe the decree language to itself confer upon the American Tobacco Company greater rights in the United States trademarks of the Imperial Tobacco Company than the rights which those companies had by their contract conveyed in furtherance of their conspiracy in restrain of trade and by the transfer of such greater rights away from Imperial to hamstring

it as an effective competitor in the United States market for branded tobacco products?

STATUTES INVOLVED

None of the material required to be reproduced by Rule 23. 1. (d) is involved in this case. Rather it is required to be determined what is the intent of this Court, as expressed in its opinion in *United States* v. *American Tobacco Co.*, 221 U.S. 106 (1911) and implemented by the Circuit Court in *United States* v. *American Tobacco Co.*, 191 Fed. 371 (C.C. S.D.N.Y. 1911), when applied to determine the rights of the parties in a trademark dispute today.

STATEMENT OF THE CASE

Respondent (hereinafter sometimes "Philip Morris") commenced this civil action by filing a complaint on January 31, 1963 against Petitioner (hereinafter sometimes "Imperial"), alleging infringement of common law and Federally-registered trademarks and unfair competition. Imperial denied all liability and asserted a counterclaim for a declaratory judgment affirming its asserted position as licensor of the disputed trademarks and for other relief.

Philip Morris is a Virginia corporation. Imperial is a British company, with registered office at Bristol, England, that has been qualified to do business in Virginia since August 8, 1903.

Federal jurisdiction rests not only upon the ground of diversity of citizenship and the fact that the amount in controversy exceeds the value of $10,000, exclusive of interests and costs, but also upon 28 U.S.C. § 1338, in that this civil action arises under the trademark laws of the United States, *viz,* the Lanham Act, adopted July 5, 1946 (as amended), 15 U.S.C. § 1051 *et seq.*

The parties agreeing, the issues of liability under the theories of the complaint and the counterclaim were separated from the issue of damages, if any. Subsequently, following a decision awarding Philip Morris an accounting for damages, the parties stipulated for a nominal award and this forms part of the final judgment.

The entire controversy stems from the history of the so-called "Tobacco Trust", beginning with the formation of Imperial in England in 1901 as a counter to a threatened invasion of the United Kingdom by The American Tobacco Company, focusing on the terms by which Imperial and American divided up the world in lieu of competition in 1902, and culminating in the decree of dissolution in 1911 *United States* v. *American Tobacco Co.*, 191 Fed. 371, 417-431 (C.C., S.D.N.Y. 1911), pursuant to decision of this Court, *United States* v. *American Tobacco Co.*, 221 U.S. 106 (1911). Philip Morris acquired its first basis for its present claims by virtue of contractual arrangement with The American Tobacco Company. In order to understand what rights American had to transfer, it is necessary to analyze the contracts by which Imperial became a part of the Tobacco Trust.

Both Philip Morris and Imperial manufacture and sell, the first in the U.S. and the second in the U.K., tobacco products bearing the words "Player's Navy Cut" many times repeated, a device consisting of a lifebuoy also often bearing the words "Player's Navy Cut" with a sailor's head appearing in the center, and a certain Nottingham Castle trademark.

Philip Morris claims the exclusive right to use these words and at least the lifebuoy and sailor's head device on its products in the United States based upon a

conveyance to it by The American Tobacco Company (hereinafter sometimes "American Tobacco") allegedly of such rights, its asserted use thereof on a commercial scale before that of Imperial, its registrations in the United States Patent Office, and public recognition resulting from its use. In consequence, Philip Morris claims that any use of the word "Player's" or "Player" on any tobacco products in the United States constitutes an infringement of its rights.

Imperial claims that the right to use the composite expression "Player's Navy Cut" and the device of the lifebuoy with the sailor's head in the center in the United States is under exclusive, but restricted, license to Philip Morris, perpetual unless breached, by assignment from American Tobacco; and, hence, Imperial concedes that it has no present right to use this composite expression and device on any of its products in the United States. However, Imperial claims that it has the right to use the word "Player's" or "Player" otherwise on products of its John Player and Sons Branch in the United States subject to no control whatsoever by American Tobacco or Philip Morris. Imperial further claims that it has both the right to prevent others, including Philip Morris, from using its trading name, "John Player & Sons", and to use it itself as it sees fit in the United States. Additionally, Imperial claims that it is the sole and continuing owner of the Nottingham Castle trademark in the United States and that Philip Morris has no right to use the same without Imperial's permission.

The District Court decreed against Imperial on its claim of continued right to use any expression including "Player" or "Player's" in any form, but it ruled that Imperial had the right to prevent Philip Morris

from using Imperial's trading name "John Player & Sons". It also ruled for Imperial completely as to the Nottingham Castle trademark.

Insofar as the District Court ruled in favor of Imperial, Philip Morris has accepted the correctness of these rulings and the issues of fact and law necessarily decided for these rulings stand as *res judicata.*

The Court of Appeals affirmed the District Court. Both Courts acted on a supposed intent of this Court.

The District Court said (p. 9a, *infra*):

> "The controversy turns primarily on the question of whether Philip Morris is a licensee of Imperial. Imperial's position depends on interpreting the opinion, decree and other proceedings in *United States* v. *American Tobacco Company,* 221 U.S. 106 (1911) as continuing a license created by agreement between Imperial and American Tobacco Company.
>
> "The Court concludes that the antitrust proceedings brought by the United States against American Tobacco Company and other defendants terminated the agreement made by the tobacco companies. Consequently, Philip Morris is not a licensee of Imperial."

And the Court of Appeals said (p. 4a, *infra*):

> "Of course, it is not our province to review the action of the Circuit Court some fifty-seven years ago. Thus, even if Imperial's contention were correct, we would be precluded from altering the clear intent of that decision."

All seem to agree that the pre-1911 decree posture of Imperial was that of owner-licensor of the disputed rights. It is Imperial's position that the decree must have either abrogated the license wholly, putting Imperial back as owner of all, or confirmed the license

insofar as it had been exercised, which latter seems the correct view. It is Philip Morris' view, (and that of the Courts below) that the decree converted the license into an outright conveyance.

This is a serious misconstruction of an action of this Court which only this Court can correct. As demonstrated hereinafter, it operates effectively to shackle a major English company from bringing important ones of its major brands to the American market—each of them a brand as to which neither Philip Morris nor American Tobacco, its assignor, has at any time laid claim.

I. THE JUDGMENT BELOW MISUSES THE DECISION OF THIS COURT DISSOLVING "THE TOBACCO TRUST", 221 U.S. 106 (1911), BY PERPETUATING ONE OF THE FORBIDDEN AIMS OF THAT TRUST, NAMELY, THE EFFECTIVE EXCLUSION OF IMPERIAL FROM COMPETITION IN THE UNITED STATES MARKET FOR MANUFACTURED PRODUCTS

It has long been recognized that manipulation of trademark rights, especially between persons of different nationality, may result in unlawful division of markets or other limitations on competition in violation of the policy of the anti-trust laws of the United States. *Timken Roller Bearing Co.* v. *United States,* 341 U.S. 593, 598-9 (1951); and compare *United States* v. *Guerlain, Inc.,* 155 F. Supp. 77 (1957), Government motion to dismiss granted, 358 U.S. 915 (1958), dismissed with prejudice, 172 F. Supp. 107 (1959).

While it cannot be said that the state of the law with respect to the interplay of trademark rights and the antitrust laws is fully developed and well settled, it surely can be said that an anti-trust decree should not be so interpreted, if any other rational interpretation can be found, as to convert a mere license to manu-

facture certain specific brands, among many, into an outright transfer of a generic house mark with the necessary effect of excluding the foreign owner of that house mark from *all* business in the United States under his established brands.

When the Tobacco Trust was expanded in 1902 to include Imperial as well as the monopolistic American Tobacco Company of the day, those two giants agreed upon a division of the world into three markets—the U.S.A., the United Kingdom, and the rest of the world. Among the devices they used to accomplish this division of territory was the obvious one of trademark arrangements. For the rest of the world, both American and Imperial expressly *assigned* their *entire trademark* position in the various countries outside the U.S. and U.K. to a jointly-owned company, British-American Tobacco Company. In contrast, for the U.S. and the U.K., the giant conspirators did *not* assign their trademarks or registrations thereof at all. They merely provided that each should be "empowered to manufacture the brands" of the other in their respective home territories and that "each party shall manufacture the brands of the other party upon recipes and formulae to be supplied by the other".

Thus, during the life of the conspiracy even, Imperial's brands could only be manufactured on terms which retained for them their Imperial brand identity and any voluntary dissolution of the conspiracy would have left Imperial with its full panoply of trademarks in the United States unimpaired. It is, of course, obvious that established trademarks are a *sine qua non* for effective competition in the cigarette and smoking tobacco business in the United States. Indeed, the

Attorney General of the United States pressed the Circuit Court to require *all* trademark rights transferred during the conspiracy to be restored to their original owner. But such was the respect in 1911 for *vested* rights that the Circuit Court would provide no more than "each company [was] to treat as its own, but only to the extent provided for in said contracts" those brands and trademarks of the other which it had actually used in its home territory. Of the tens of "Player's" cigarette brands shown by the record to have been actually in use in 1911 in the U.K., American Tobacco had actually only used the one, "Player's Medium Navy Cut", in the United States and that only on goods meeting Imperials recipes and formulae. This was the only brand to which American Tobacco laid claim following the decree.

II. THE EFFECT OF THE JUDGMENT BELOW IS TO MAKE A 1911 DECREE PURSUANT TO A 1911 DECISION OF THIS COURT INTO AN EFFECTIVE DIVISION OF MARKET TERRITORY FIFTY YEARS LATER BY INTERPRETING IT TO CREATE A TRADEMARK ARRANGEMENT IN VIOLATION OF THE POLICY STATED IN TIMKEN ROLLER BEARING CO. v. UNITED STATES, 341 U.S. 593 (1951).

As Mr. Justice Black observed in the *Timken Case, supra,* at page 599, "A trademark cannot be legally used as a device for Sherman Act violation".

It seems perfectly clear that if Philip Morris and Imperial wanted to divide up their territories and each agree to sell only in its home country that such an agreement would be illegal. *United States* v. *American Tobacco Company,* 221 U.S. 106 (1911). It seems equally clear that if they were to attempt to accomplish the same thing by the subterfuge of exchanging all the rights for England in Philip Morris trademarks for all the rights for the United States in Imperial trade-

marks, the subterfuge would fail on the authority of *Timken*. Until the Courts below found to the contrary in this case, the parties to the 1911 decree took it as merely confirming certain very limited license rights to continue trade actually begun before 1911, leaving each free to use the whole residue of its trademark position in free competition. The Courts below have now found that the 1911 decree does accomplish the exact subterfuge we submit *Timken* would forbid the parties to work. The intervention of this Court is required to correct this serious conflict in decision relating to the internationally important matter of United States trademark and anti-trust interplay.

III. A PERSONAL PLEA

It seems to Imperial's counsel that for "The Law" to conclude that the famous trademarks and brands on a packet of "Player's Medium Navy Cut" cigarettes denote other than a "Limey" product to the American Public, is for the law to make itself a bit preposterous. Perhaps his exposure to these packets in the E.T.O. in 1944-45 accounts for the strength of the feeling. With apologies if the plea seems frivolous, counsel urges that in this instance this Court should seize the opportunity to echo the sound common sense ofMr. Bumble in *Oliver Twist,* Ch. 51.

The Court will recall that when Mr. Brownlow stated, " * * * the law supposes that your wife acts under your direction", Mr. Bumble put it quite bluntly, "If the law supposes that, the law is a ass—a idiot". Charles Dickens, *Oliver Twist.*

To suppose that a packet of "Player's Medium Navy Cut" is not taken by most Americans to be an article

sponsored by the original Player people from England merely because it says in small letters truthfully "Manufactured in the United States by Philip Morris Incorporated, New York" tucked away under the equally truthful slogan "Estalished by JOHN PLAYER & SONS" borders perilously close on being also asinine. This Court should exercise its power to bring the law to the realism of Mr. Bumble and away from the Brownlowish suppositions of the Courts below.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A

I. Opinion of the United States Court of Appeals for the Fourth Circuit

No. 12,072.

PHILIP MORRIS INCORPORATED,
Appellee,

versus

THE IMPERIAL TOBACCO COMPANY
(of Great Britain and Ireland),
LIMITED,
Appellant.

Appeal from the United States District Court
for the Eastern District of Virginia, at Richmond.
John D. Butzner, Jr., District Judge.

(Argued May 10, 1968 Decided August 23, 1968.)

Before SOBELOFF, WINTER and CRAVEN, Circuit Judges.

W. Brown Morton, Jr. (McLean, Morton and Boustead; Charles L. Reed, and Mays, Valentine, Davenport & Moore on brief) for Appellant, and Leslie D. Taggart (Lewis T. Booker; Hunton, Williams, Gay, Powell & Gibson; Watson, Leavenworth, Kelton & Taggart, and Thomas F. Ahrensfeld on brief) for Appellee.

SOBELOFF, Circuit Judge:

Imperial Tobacco Company, exclusive manufacturer and distributor of "Player's" tobacco products in the United Kingdom and Ireland, appeals from the District Court's holding that in this country Philip Morris, Inc., is the owner of the "Player's" trademark,[1] that Imperial may not sell

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[1] In 1951, Philip Morris, as owner of the brand, applied to register "Player's" as a trademark for cigarettes. The registration was issued by the United States Patent Office the following year.

The mark consists of the word "player's" and the face of a sailor pictured inside a life buoy.

its "Player's" products under that name in the United States, and that neither is entitled to use in this country the tradename "John Player & Sons."[2] Finding the District Court's reasoning completely persuasive and its conclusions unimpeachable, we affirm on the basis of its two opinions, 251 F. Supp. 362 (E.D. Va. 1965) and 282 F. Supp. 931 (E.D. Va. 1967).

Imperial contends that Philip Morris is simply its perpetual licensee for the brand "Player's Navy Cut," and therefore Imperial is free to sell any other "Player's" product in the United States. Its position is premised upon a 1902 agreement between Imperial and American Tobacco Company, Phillip Morris's assignor and predecessor in interest.[3] By that agreement, American had obtained the exclusive right to market "Player's" cigarettes in the United States while Imperial had a similar right with regard to American's products in England. Each company was to supply its formulas and recipes to the other, and each was to retain a right of supervision over the other as to its own brands.

Under the agreement, American sold in the United States a brand of cigarettes known as "Player's Navy Cut," the words "navy cut" being known in the trade as a type of tobacco. This arrangement continued until 1911, when the United States Supreme Court, in breaking up the huge tobacco trust, held that the 1902 agreement violated the Sherman antitrust act. *United States* v. *American Tobacco Co.*, 221 U.S. 106 (1911).

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[2] The court also held that Imperial has the exclusive right to use the "Nottingham Castle" trademark in the United States. Philip Morris has not appealed from this adverse ruling.

[3] In 1926, American executed a contract, agreeing to: "sell, assign, transfer and set over unto Philip Morris—International Corporation * * * the brand of cigarettes known as "Player's" or "Player's Navy Cut" * * * and the business in connection therewith together with the goodwill thereof * * * for the United States of America * * * and the exclusive right thereto; TO HAVE AND TO HOLD the foregoing property unto Philip Morris—International Corporation, its successors and assigns absolutely and forever."

Evincing "a proper regard for the vast interests of private property which may have become vested" as a result of stock acquisitions and such agreements as the 1902 pact, the Supreme Court remanded the case to the Circuit Court for the formulation of the necessary dissolution order. Pursuant to this mandate from the Supreme Court, the Circuit Court terminated the 1902 agreement but provided that "each company [would] treat as its own, but only to the extent provided for in said contracts, all brands and trademarks which by said contracts it was given the right to manufacture and sell, the said rights having been perpetual and constituting in effect a conveyance of the brands and trademarks used for the countries in which they were so used by each of said companies * * *." *United States* v. *American Tobacco Co.*, 191 Fed. 731, 418 (C.C. S.D.N.Y. 1911).

The District Court in the instant case correctly interpreted the decree and the resulting document of rescission to mean that from that time all ties between American and Imperial were severed. It read the phrase "to the extent provided for in said contracts" as referring to the geographic limitations in the agreement, and thus held that as a result of the decree American was the fee simple owner in this country of the Imperial brands it had sold here while Imperial owned outright in England the American brands it sold there. Imperial's indefensible position is that this decree simply continued in effect the perpetual license which had existed since 1902. Under its theory, the combination held violative of the antitrust laws in 1911 persists to this day, and Imperial has a right to control American's assignee as to the manufacture of "Player's" cigarettes. According to appellant, it also follows that Imperial is the owner of the "Player's" trademark in this country and may market other tobacco products under that name.

Without offering a rational alternative interpretation of the Circuit Court's language, Imperial argues that to construe it as the District Court has done is to produce an

anti-competitive effect since Imperial is now excluded from the American market. Of course, it is not our province to review the action of the Circuit Court some fifty-seven years ago. Thus, even if Imperial's contention were correct, we would be precluded from altering the clear intent of that decision. In any event, we see no greater anti-competitive effect here than in any other case upholding a trademark as valid and prohibiting its infringement. Imperial is of course free to sell its other products in this country and may even sell its "Player's" products if it uses a non-infringing trademark. See *Standard Oil* v. *Humble Oil & Refining Co.*, 363 F.2d 945, 954 (5th Cir. 1966).

For the reasons fully expressed by the District Court, the judgment is

Affirmed.

II. Order of the United States Court of Appeals for the Fourth Circuit on Petition for Rehearing

[Caption Omitted]

Order

Upon consideration of the petition for rehearing, the petition is hereby denied, but in the penultimate paragraph of the opinion the word "acceptable" should be substituted for the word "rational."

The Clerk is directed to bring this amendment to the attention of the West Publishing Company, so that the opinion will appear as revised in the Federal Reporter.

s/ SIMON E. SOBELOFF
United States Circuit Judge

s/ HARRISON L. WINTER
United States Circuit Judge

s/ J. BRAXTON CRAVEN, JR.
United States Circuit Judge

(Filed October 3, 1968)

III. Judgment and First and Second Opinions of the United States District Court for the Eastern District of Virginia, Filed Respectively on November 17, 1967, December 27, 1965, and November 17, 1967

[Caption Omitted]

Order

For reasons stated in the memoranda of the court filed December 27, 1965 and November 17, 1967, it is ADJUDGED, ORDERED and DECREED:

1. This court has jurisdiction of the parties and of the subject matter of this action.

2. The plaintiff, Philip Morris, Incorporated, is the true, lawful and absolute owner in the United States of the good, valid, common law trademark, PLAYER'S, for tobacco products, and of United States registration No. 552,831 for PLAYER'S; and Philip Morris, Incorporated, has the sole and exclusive right to advertise, offer for sale and sell in the United States tobacco products of any and every kind under its trademark, PLAYER'S.

3. Philip Morris, Incorporated, is the true, lawful and absolute owner in the United States of the good, valid, common law trademark known as the sailor head device—a life buoy and sailor design with a seascape background—for tobacco products, and of United States trademark registration No. 555,064 for this trademark; and Philip Morris has the sole and exclusive right to advertise, offer for sale, and sell in the United States tobacco products of any and every kind under this trademark.

4. The defendant, The Imperial Tobacco Company (of Great Britain and Ireland), Limited, has no right or privilege to advertise, offer for sale, or sell tobacco products of any kind under the trademark, PLAYER'S, in or into the United States, except as it may be permitted to do so by Philip Morris, Incorporated.

5. The Imperial Tobacco Company (of Great Britain and Ireland), Limited, has infringed the trademark, PLAYER'S, by shipping to and selling in the United States cigarettes and tobacco bearing the word, PLAYER'S.

6. The Imperial Tobacco Company (of Great Britain and Ireland), Limited, has no right or privilege to advertise, offer for sale or sell tobacco products of any kind under the trademark of a sailor head device—a life buoy and sailor design with a seascape background—in or into the United States, except as it may be permitted to do so by Philip Morris, Incorporated.

7. JOHN PLAYER & SONS, JOHN PLAYER & SONS, LTD., and JOHN PLAYER & SONS BRANCH of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, are trade names used by the Imperial Tobacco Company (of Great Britain and Ireland), Limited. Their use in the United States infringes the trademark, PLAYER'S, owned by Philip Morris, Incorporated.

8. The Imperial Tobacco Company (of Great Britain and Ireland), Limited, has no right or privilege to advertise, offer for sale, or sell in the United States tobacco products of any kind under the appellations, JOHN PLAYER & SONS, JOHN PLAYER & SONS, LTD., OR JOHN PLAYER & SONS BRANCH of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, in or into the United States, except as it may be permitted to do so by Philip Morris, Incorporated.

9. Philip Morris, Incorporated, has not acquired ownership of the trade names, JOHN PLAYER & SONS and JOHN PLAYER & SONS, LTD.

10. Philip Morris, Incorporated, has no right or privilege to advertise, offer for sale, or sell tobacco products of any kind bearing the trade name, JOHN PLAYER & SONS, or JOHN PLAYER & SONS, LTD., in or into the United States, except as it may be permitted to do so by The

Imperial Tobacco Company (of Great Britain and Ireland), Limited.

11. The Imperial Tobacco Company (of Great Britain and Ireland), Limited, is the true and absolute owner in the United States of the good, valid, common law trademark of a representation of the castle on a bluff at Nottingham, England, known as "Nottingham Castle," sometimes accompanied by the legend, "Nottingham Castle," spelled out or abbreviated, for tobacco products, and of United States trademark registration No. 37,350 for this trademark for tobacco products; and The Imperial Tobacco Company (of Great Britain and Ireland), Limited, has the sole right to advertise, offer for sale, and sell in the United States tobacco products of any and every kind under its Nottingham Castle trademark, whether or not accompanied by the legend, "Nottingham Castle," spelled out or abbreviated, for tobacco products.

12. Philip Morris, Incorporated, has no right or privilege to advertise, offer for sale, or sell tobacco products of any kind under the trademark of a representation of a castle on a bluff, known as Nottingham Castle, whether or not accompanied by the legend, "Nottingham Castle," spelled out or abbreviated, in the United States, except as it may be permitted to do so by The Imperial Tobacco Company (of Great Britain and Ireland), Limited.

13. In order to avoid the necessity for an accounting for profits and damages, the parties have stipulated that the defendant's profits resulting from infringement are $1.00, and the plaintiff has accepted this amount in lieu of profits and damages. This stipulation is without prejudice to the position taken by the parties on all other issues of the case. The court approves the stipulation and awards no additional damages.

14. Each party, from time to time under varying circumstances, has permitted the other party to sell in or into the United States tobacco products bearing its trademark or

trade names. In all instances consent to these practices has not been unequivocally withdrawn. The court considers the declaratory relief set forth in this decree sufficient to serve the ends of justice and protect the interests of the parties. Injunctive relief is denied without prejudice to either party to apply for such relief if it be so advised. The application must allege that consent to sell in or into the United States products bearing the petitioner's trademarks or trade names has been completely withdrawn.

15. The defendant's counterclaims are dismissed with prejudice except as they relate to the relief expressly ordered or reserved.

16. Th plaintiff's request for attorneys' fees is denied.

17. The plaintiff shall recover of the defendant three-fourths of its costs to be taxed by the Clerk of this court.

/s/ JOHN D. BUTZNER, JR.
United States District Judge-Designate

November 17, 1967

[First Opinion. Caption Omitted.]

Memorandum of the Court

Philip Morris, Incorporated, brought this action against The Imperial Tobacco Company (of Great Britain and Ireland), Limited, alleging trademark infringement and unfair competition. The complaint seeks an injunction, damages and declaratory relief.

Imperial answered and asserted a counterclaim for declaratory relief, assignment of trademark registrations and an injunction against harassment of its distributors.

Jurisdiction of the Court is not questioned. It rests upon diversity of citizenship and the fact that the amount in controversy exceeds $10,000, exclusive of interest and costs. It also rests upon 28 U.S.C. § 1338 and 15 U.S.C. § 1051 et seq.

Both Philip Morris and Imperial manufacture and sell cigarettes and other tobacco products. Philip Morris claims the exclusive right to use the word PLAYER'S and a device consisting of a sailor head inside a life buoy on packages of tobacco products in the United States. It contends that the use of PLAYER'S by Imperial in the United States infringes its rights and should be prohibited.

Imperial admits that it has no right to use the composite expression "PLAYER'S Navy Cut" and the sailor head device on any of its products in the United States. It says that the right to use "PLAYER'S Navy Cut" and the device is under exclusive but restricted license to Philip Morris, perpetual unless breached.

Imperial claims, however, that it has the right to use in the United States the word PLAYER'S or PLAYER, providing it does not join the words "Navy Cut" and the sailor head device. Imperial sells in the United States cigarettes and other products which bear the trademark PLAYER'S.

The primary issue in the case is the determination of the rights of the parties to the word "PLAYER'S" in the United States.

The controversy turns primarily on the question of whether Philip Morris is a licensee of Imperial. Imperial's position depends on interpreting the opinion, decree and other proceedings in United States v. American Tobacco Company, 221 U.S. 106, 31 S.Ct. 632, 55 L.Ed. 663 (1911) as continuing a license created by agreement between Imperial and American Tobacco Company.

The Court concludes that the antitrust proceedings brought by the United States against American Tobacco Company and other defendants terminated the agreement made by the tobacco companies. Consequently, Philip Morris is not a licensee of Imperial. It has the right to use PLAYER'S as a trademark for the sale of tobacco products. The Court further concludes that Philip Morris' right to use

PLAYER'S is not limited to its use in conjunction with the words "Navy Cut".

The Court also concludes that Imperial is not entitled to use the trademark PLAYER'S in the United States and that its use of this trademark has infringed upon Philip Morris' rights. Imperial is not entitled to judgment upon its counterclaim.

Pursuant to Rule 52 of the Federal Rules of Civil Procedure, the Court states its findings of fact and conclusions of law.

FINDINGS OF FACT

I.

1. Plaintiff, Philip Morris, Incorporated, is a Virginia corporation, which, along with a related company, will be referred to as Philip Morris.

2. Defendant, The Imperial Tobacco Company (of Great Britain and Ireland), Limited, is a British corporation, whose registered office is located in Bristol, England. It has been qualified to do business in Virginia since August 8, 1903. The defendant and its predecessors will be referred to as Imperial.

3. John Player & Sons Limited was a British company dealing in cigarettes, smoking tobaccos and other tobacco products predominantly in Great Britain. On December 10, 1901 its entire business was taken over by the John Player & Sons branch of Imperial and has been continued as such to the present time.

4. The British-American Tobacco Company (B.A.T.) was founded by American and Imperial in 1901. Various foreign rights were given to it. It owns PLAYER'S throughout the world except in the United Kingdom, Ireland and the United States. The Supreme Court required American to divest itself of B.A.T. stock in 1911, but Imperial has continued to be a substantial stockholder. Im-

perial does not control B.A.T. The president and chairman of Imperial are directors of B.A.T., and Imperial and B.A.T. are in joint ventures and work closely together.

5. On September 27, 1902, Imperial and American Tobacco Company (which will be called American) together with several other companies, entered into two written agreements known as the Ogden Agreement and the British-American Tobacco Company agreement. These agreements divided the world into exclusive territories for the manufacture and sale of tobacco products. Imperial agreed to limit its selling activities to the United Kingdom and American agreed to limit its activities to the United States, its dependencies and Cuba. The language of the Ogden Agreement pertinent to this proceeding appears in paragraph 19 and reads:

> "* * * The Imperial Company shall be empowered by the American Company and the Continental Company to manufacture their brands within the United Kingdom for sale therein, and the American Company, the Continental Company, and the Cigar Company shall be empowered to manufacture the brands of the Imperial Company in the United States for sale therein, and each party shall manufacture the brands of the other party upon recipes and formulae to be supplied by the other."

6. In 1911, the Supreme Court held that the Ogden Agreement of September 27, 1902 violated the antitrust laws, United States v. American Tobacco Company, 221 U.S. 106, 181, 31 S.Ct. 632 (1911). The Supreme Court remanded the case with directions to the court below to enter a decree in conformity with the opinion of the Supreme Court. Further proceedings are reported in United States v. American Tobacco Company, 191 F. 371 (C.C.S.D.N.Y.1911). The proposal of the American Tobacco Company and others (but not Imperial) for the abrogation of foreign restrictive covenants is found at 191 F. 398.

The Circuit Court's decree contains the following pertinent provisions, 191 F. 418:

"B. *Abrogation of Foreign Restrictive Covenants.*

"Under the contracts of September 27, 1902, the Imperial Tobacco Company (of Great Britain and Ireland), Limited, and certain of its directors agreed not to engage in the business of manufacturing or selling tobacco in the United States, the American Tobacco Company and American Cigar Company and certain of their directors agreed not to engage in the business of manufacturing or selling tobacco in Great Britain and Ireland, and the American Tobacco Company, American Cigar Company, and the Imperial Tobacco Company agreed not to engage in the business of manufacturing or selling tobacco in countries other than Great Britain and Ireland and the United States. Under the provisions of these contracts British-American Tobacco Company, Limited, was organized and took over the export businesses of the American Tobacco Company and the Imperial Tobacco Company, with factories, materials, and supplies.

"It is proposed that the covenants herein just described, as well as all covenants restricting the rights of any company or individual in the combination to buy, manufacture, or sell tobacco or its products, be rescinded by the affirmative action of the respective parties thereto who are parties to this suit, except such of said covenants, whether or not contained in the contracts of September 27, 1902, as (a) relate wholly to business in foreign countries, and are covenants the benefit whereof has been assigned or transferred to other parties, or (b) are covenants exclusively between foreign corporations and relating wholly to business in or between foreign countries, and that the said contracts of September 27, 1902, be altogether terminated so far as they impose any obligations upon any of the

parties thereto to furnish or to refrain from furnishing manufactured tobaccos to any party, each company to treat as its own, but only to the extent provided for in said contracts, all brands and trade-marks which by said contracts it was given the right to manufacture and sell, the said rights having been perpetual and constituting in effect a conveyance of the brands and trade-marks used for the countries in which they were so used by each of said companies as aforesaid."

7. Imperial executed a document dated January 30, 1912 in accordance with the provisions of the 1911 decree. The document provides, in part:

"NOW these presents witness:

"That the said The Imperial Tobacco Company (of Great Britain and Ireland) Limited subject as hereinafter mentioned hereby rescinds the said covenants as well as all covenants restricting the right of any Company or individual in the combination as mentioned in the said decree to buy, manufacture or sell tobacco or its products and that said contracts of September 27, 1902 be altogether terminated so far as they impose any obligations upon any of the parties thereto to furnish or to refrain from furnishing manufactured tobaccos to any party always excepting however such of said covenants whether or not contained in the contracts of September 27, 1902 as

"(a) Relate wholly to business in foreign countries and are covenants the benefit whereof has been assigned or transferred to other parties, or

"(b) Are covenants exclusively between foreign corporations and relating wholly to business in or between foreign countries

"Provided always that these presents shall apply only to trade and commerce in or between the several

states or territories of the United States or the District of Columbia, and trade and commerce between the United States and foreign nations.

"And the said the Imperial Tobacco Company (of Great Britain and Ireland) Limited hereby releases each of said Companies and each of the individuals hereinbefore named from any and all obligations under said covenants except as hereinbefore provided."

8. On September 30, 1912, American wrote Imperial:

"In compliance with the request contained in your letter of the 18th of September we enclose herewith list of your company's brands, which under the terms of the decree of the disintegration of the American Tobacco Company, we consider as belonging to us for this country."

The list was for tobaccos and included Players N.C. and Players Mixture. On October 8, 1912, American wrote Imperial that it had neglected to take into account cigarette brands. The letter stated, in part:

"We enclose herewith a list of those brands which we have imported in the past and which we consider now as belonging to us for this country."

Among the cigarettes listed was Players N.C.

9. Between January 30, 1912 and March 21, 1913, various branches of Imperial shipped products to the United States and Imperial sent a royalty check to American, which American returned on March 21, 1913 to Imperial, saying:

"We do not feel justified in accepting this check, and are herewith returning it. We are advised that the decree of November 16, 1911, of which you have a copy, terminated the contract of September 27, 1902, in so far as that contract was executory, leaving us owning in the United States the brands which during the license

of the contract, we had imported. You are under no obligation to make us payment on any brand not owned by us, because you are free to sell such brand to anyone in the United States without any accounting to or payment to us. So far as the brands of yours that we own in the United States, we think that you should not make shipments except upon our order. Some of the brands shown on this statement are of one class, and some are of the other. As to the brands which we own, we realize that under the circumstances your shipment of them was an entirely excusable and inadvertent infringement of our rights, which we do not desire to in any way penalize, and we prefer not accepting any part of the profits which you received."

Imperial acquiesced in writing to the position taken by American. A memorandum was drafted by an official of Imperial, which stated:

"In the past orders received from the American Tobacco Company for the supply of the Imperial Tobacco Company's brands have been executed under the terms of the Ogden Agreement, the price charged being based on cost, plus 10%.

"Orders for the supply of Imperial Company's brands in the United States received from persons other than the American Tobacco Co. have been executed under the terms of a special permission granted by the American Tobacco Company on the 1st August 1907. One of the terms of this special permission is that the American Tobacco Co are to be notified of all shipments made under it and are to receive the price obtained less actual cost plus 5%.

"In pursuance of the terms of this special permission the Chief Accountant made a return to the A.T. Co on the 7th March, 1913 showing a sum of £12. 6. 4 due to them for which a cheque was sent. On the 21st March

1913 the A. T. Co. returned the cheque stating that they were unable to execute it and they referred to the decree. They make no reference to the special permission.

"The Committee at their last meeting decided not to execute orders received from the United States for any of the brands claimed by the A. T. Co, and I was instructed to draft a circular to the Branches for submission to this meeting.

"The following questions should be determined before the circular is drafted.

"1. Is the special permission of 1907 to be looked upon as revoked.

"2. If the special permission is not to be looked upon as revoked then

> "(a) Do we intend to execute orders under it notwithstanding the refusal of the A. T. Co to accept payment of their portion of the profit
>
> "(b) How is the A. T. Co's portion of the profit to be dealt with?

"3. If the special permission is to be looked upon as revoked

> "(a) Do we intend to execute orders from the U.S.A. for brands other than those claimed by the A. T. Co (The Committee have already decided not to execute orders for brands claimed by the A. T. Co.)?
>
> "(b) If orders for the U.S.A. are to be executed for brands other than those claimed by the A. T. Co. do the Committee wish to fix any basis upon which the prices to be charged for such goods is to be calculated?

"4. Is there any intention to maintain the spirit of the Ogden agreement?"

10. American's assertion of ownership, however, was not consistently maintained. Thus, on August 21, 1922, American wrote Imperial, referring to "* * * brands which as to this country we have the license of September 1902 from you, confirmed by the decree of the court of 1911. * * *"

11. By agreement dated July 7, 1922, American granted Philip Morris an option to acquire before May 1, 1925 American's business in certain areas "* * * under any or all of the brands, trademarks and tradenames mentioned and described in Schedule B hereto annexed * * *." Schedule B included among the tobaccos Players N.C. and Players Navy Mixt., and among the cigarettes Players N.C.

On June 21, 1926 American and Philip Morris entered into an agreement which abrogated the contract of July 7, 1922 and by which American undertook to "* * * convey to Philip Morris-International Corporation the brand 'Player's' listed in 'Schedule B' of said contract of July 7, 1922, but none of the other brands listed in said 'Schedule B'." Philip Morris undertook to employ American to manufacture and supply "* * * all of its cigarettes and other tobacco products of the brand 'Player's' subject to the control and supervision of Philip Morris-International Corporation."

The agreement further provided: "Wrapping material is to be ordered by The American Tobacco Company but orders are first to be submitted to Philip Morris-International Corporation for approval * * *."

On June 28, 1926 American executed a paper stating that it:

> "does sell, assign, transfer and set over unto PHILIP MORRIS-INTERNATIONAL CORPORATION, * * *, the brand of cigarettes and other tobacco products known as 'Player's' or 'Player's Navy Cut' or 'Player's N.C.', and the business in connection therewith together with the good will thereof, recipes, processes and formulae, for the United States of America and dependen-

cies thereof (except the Panama Canal Zone) and also the Republic of Cuba, and the exclusive right thereto; TO HAVE AND TO HOLD the foregoing property unto Philip Morris-International Corporation, its successors and assigns absolutely and forever."

There were no encumbrances or restrictions in this paper. The paper did not purport to be, and was not the assignment or transfer of a license. Prior authority for the sale was neither sought nor obtained from Imperial.

12. American continued, as it had since 1922, to manufacture PLAYER'S Medium Navy Cut cigarettes in the United States for Philip Morris until February 1, 1945.

On December 28, 1944 American wrote Philip Morris:

"* * * we no longer desire to manufacture for and supply to you cigarettes and other tobacco products of the brand 'Player's,' which we have heretofore been manufacturing and supplying to you pursuant to the provisions of the agreement between The American Tobacco Company and Philip Morris International Corporation dated June 21, 1926, and we hereby elect to terminate and do hereby terminate the arrangement between us for our manufacture and supply to you of cigarettes and other tobacco products of the brand 'Player's'; * * *.

"We would be pleased to turn over to you at book value wrapping materials of the 'Player's' brand now on hand, and which we have acquired in connection with the manufacture and supply of the above-mentioned cigarettes and tobacco products."

13. About February 14, 1945 Philip Morris started to sell PLAYER'S cigarettes of its own manufacture in the United States.

The front of the shell of its cigarette package bears the design of a sailor head inside a life buoy against a seascape background. The life buoy is labeled "PLAYER'S

NAVY CUT". Above the design is the legend "MADE IN U.S.A." and below it "CIGARETTES 'MEDIUM'." The back of the shell bears the Nottingham Castle mark and the legend:

"Manufactured from

RICH, COOL
VIRGINIA TOBACCO

Established by
John Player & Sons.

Manufactured in the United States by Philip Morris Incorporated, New York"

The ends of the shell bear the legends:

"John Player & Sons.
20 CLASS A CIGARETTES"

and:

"Established by
John Player & Sons.
PHILIP MORRIS INC., NEW YORK
PERMIT NO. TP-7 VIRGINIA"

The slide contains the legend:

"PLAYER'S
'MEDIUM' NAVY CUT

These cigarettes are made from the FINEST TOBACCOS, and will be found rich and cool in smoking."

followed by the sailor head device and the legend:

"EACH CIGARETTE IS STAMPED
PLAYER'S
'MEDIUM' NAVY CUT"

Underneath the reproduction of the sailor head device are the words "TRADE MARK".

Cartons of these cigarettes marketed by Philip Morris have on the top and each end the sailor head device and the

legend "PLAYERS CIGARETTES MEDIUM NAVY CUT". The same legend without the sailor head device appears on the front and back of the carton. The largest print is used for the word "PLAYERS". It is the dominant word.

14. Since 1945 Philip Morris has continuously manufactured and sold PLAYER'S Medium Navy Cut cigarettes in the United States in appreciable quantities. From 1945 through 1963 annual sales varied from a maximum of over 30,000,000 to a minimum of approximately 11,000,000.

15. Imperial's sales in the United States were not large until 1957. Prior to September 1902, John Player & Sons, Limited, sold tobacco products in the United States bearing the word PLAYER'S. These sales were so small and insignificant that a senior official of the firm was not aware of them.

From 1902 to 1911, Imperial sold no Player's products in the United States to the trade and public. It supplied PLAYER's Navy Cut tobacco and cigarettes, Mild or Medium, and PLAYER'S Mixture tobacco to American, which American sold in the United States during that period.

During the period from 1912 to 1926, Imperial's sale of Player's products in the United States was very small. It sold a small amount of tobacco and cigarettes to American.

During the period from June 1926 to the end of 1944, Imperial sold 46 pounds of PLAYER'S NO NAME tobacco and a quarter of a pound of PLAYER'S COUNTRY LIFE MIXTURE to the trade and private individuals as well as a thousand PLAYER'S GOLD LEAF NAVY CUT cigarettes. Sales to American were small; the largest amount of tobacco in any single year did not exceed 300 pounds and never did the cigarettes exceed 51,000.

From 1945 to the end of 1956 Imperial sold to the trade and public in the United States (other than sales made with Philip Morris' permission to the British armed forces and

embassy in the United States) about 143,000 PLAYER'S cigarettes and 334 pounds of PLAYER'S tobacco. No significant amount of these sales consisted of PLAYER'S Navy Cut cigarettes or tobacco.

In 1957 Imperial sold PLAYER'S products in the United States in larger quantities, and in 1958 Philip Morris protested the sales as prejudicial to its trademark PLAYER'S.

16. Neither party has advertised PLAYER'S cigarettes or other tobacco products in the United States. Imperial has advertised them extensively in the United Kingdom and on transatlantic vessels. Several novels which have been widely read in the United States mentioned PLAYER'S cigarettes in a context that identified them as English cigarettes.

In proceedings styled Philip Morris & Co., Ltd., 32 F.T.C. 278 (1940), the Federal Trade Commission ordered Philip Morris to cease and desist from "using the name 'Player's Navy Cut' as a designation of any cigarette not manufactured in England, unless in immediate connection with such name the country of manufacture of said cigarettes is set forth in letters of the same size or conspicuousness as is the trade name 'Player's Navy Cut'."

Philip Morris has sold many millions of PLAYER'S cigarettes designating Philip Morris as the manufacturer and stating that the cigarettes are made in the United States. The *Western Tobacconist* which lists all cigarettes and tobacco brands and the name of the manufacturer from whom they can be purchased, indicates that the origin for PLAYER'S in the United States is Philip Morris.

Undoubtedly, PLAYER'S is considered an English type cigarette by those members of the United States public who have given it any thought. The evidence, however, fails to establish that, after the order of the Federal Trade Commission, the United States public believed PLAYER'S cigarettes, sold by Philip Morris in the United States, were manufactured in England by Imperial or the John Player & Sons branch of Imperial.

II.

17. The word PLAYER'S is a means of identifying and distinguishing cigarettes and smoking tobacco, including products which were navy cut, from cigarettes and tobacco products with different words and terms on them. The term "Navy Cut" is descriptive of tobacco and is not a brand or trademark.

18. On February 20, 1888, "PLAYER" was registered in the British Patent Office as a trademark of Imperial's predecessor, the firm trading as John Player. Registration 73771 was for "manufactured tobacco except snuff". Registration was effected under a special provision of the 1883 British Patents Design and Trademarks Act, which allowed registration of any distinctive word used as a trademark before August 13, 1875. Imperial's predecessor claimed use of "PLAYER" as a trademark for thirteen years prior thereto "and in respect of cigarettes for about one year prior to 15th August, 1875". Imperial succeeded to the registration prior to 1902. This British registration was still in effect in the summer of 1964.

19. In British registration No. 152070, issued to the firm trading as John Player, Castle Tobacco Factory, Nottingham, November 17, 1890, for cigarettes, the statement from the application provides, in part:

> "The essential particulars of the trademark are the following: the device of 'Castle' and 'Nottingham Castle' and the Applicants disclaim any right to the exclusive use of the added matter except 'Players', the words 'Gold Leaf' and 'Navy Cut' being common to the trade."

The disclaimer of "navy cut" was confirmed by the High Court of Justice, Chancery Division, by Mr. Justice Cozens-Hardy. In the matter of John Player & Sons' Application for a Trade Mark, 18 R.Pat.Cas. 65 (1900).

20. A United States registered trademark No. 37-158 for smoking tobacco, chewing tobacco, cigars, cigaroots, cigarettes and snuff, registered October 1, 1901 by John Player & Sons, Ltd., provided, in part, in the applicant's statement:

> "Said trade-mark consists of a lifebuoy. This has generally been arranged as shown in the accompanying facsimile. On the life-buoy are the words 'Players Navy Cut' in plain block type. The wording may be omitted or varied without materially altering the character of the trade-mark, the essential feature of which is the representation of a life-buoy."

21. John Player & Sons branch of Imperial manufactured and sold smoking tobaccos and cigarettes in the United Kingdom in which the cut of tobacco was different and of which fact Imperial informed the trade and the public on the label of the product. The guard book of the John Player & Sons branch of Imperial lists some of these different cuts:

Trademark/Brand	Cut	Type of Tobacco	Page in Guard Book
Arnotte's	straight cut		705
PLAYER'S	navy cut		400/401
Canby's	straight cut		717
Canby's	colony cut		943
Thompson	Chester cut		864
PLAYER'S	Chester cut		335
ELMER'S	course cut	Cavendish	745
ELMER'S	fine cut	Cavendish	746
Jay's	special straight cut		785
La Careja	finest flake cut	Cavendish	783/4
PLAYER'S	silk cut		598
PLAYER'S	army cut		1037

John Player & Sons branch of Imperial used the term "navy cut" in the United Kingdom on a considerable number of smoking tobaccos and cigarettes which were sold directly or were made up by others as private brands. The labels for such products showing the trademark or brands are shown in the "Guard Book" of John Player & Sons branch of Imperial, and include:

Trademark/Brand	Goods	Type of Tobacco	Page in Guard Book
PLAYER'S	navy cut		400/401
BRAILSFORD'S			
MERMAID	navy cut		709
CROWN-HIGGS	navy cut		757
W. H. YORKE	navy cut		897
A. TORRANCE'S	navy cut		
	cigarettes		867
THE SQUADRON	navy cut		
	cigarettes		944/5
LEWEN'S OLD			
TOWER	navy cut		797/8
PLAYER'S	navy cut	full	1059/912
PLAYER'S	navy cut	tawny	1078
PLAYER'S	navy cut	de luxe	1091
			1145
PLAYER'S	navy cut	mild	1104
PLAYER'S	navy cut	gold leaf	651
			1120
			1160
			1162
PLAYER'S	navy cut	medium	1058
SALSBURY'S	navy cut	selected	845

The "Guard Book" contained only the labels of the John Player & Sons branch. Imperial's use of other brands of navy cut products such as "CAPSTAN navy cut cigarettes" does not appear therein.

22. Imperial has demonstrated by its own packages manufactured and sold in the United Kingdom that navy cut is descriptive of tobacco. Imperial's label for PLAYER'S Navy Cut Medium with the sailor head device against the seascape and the Nottingham Castle device as approved by its Trade Marks Department March 10, 1958, carries this information:

> "These High-class Cigarettes are manufactured from the finest Navy Cut Tobacco, and are absolutely free from adulterations.
>
> "This tin (containing 50 Cigarettes) is easily opened and being air-tight preserves the contents in perfect condition.
>
> JOHN PLAYER & SONS.
> Nottingham
>
> "This label is issued by the Imperial Tobacco Company (of Great Britain & Ireland), Limited."

23. Various navy cut products are sold in the United States in addition to PLAYER'S; for example, CAPSTAN NAVY CUT MEDIUM TOBACCO, which is an Imperial product, Wavy Navy Cut Tobacco, and PREMIER'S MEDIUM NAVY CUT Cigarettes.

24. Imperial consistently has used PLAYER'S as the prominent feature of its cigarette advertising in the United Kingdom. Its advertising slogans "Player's Please" and "Smoke Player's Cigarettes" advertise products of Imperial's John Player & Sons branch, including Player's Navy Cut Cigarettes.

III.

25. On November 25, 1901, John Player & Sons, Ltd. registered the representation of a castle and the words

"Nott Castle" in the United States, No. 37350. This registration is presently in effect through renewals. The registered mark has been used on substantially all of the products of John Player & Sons' branch of the Imperial sold in the United States. It has also been used by Philip Morris on their packages bearing the word "PLAYER'S".

26. In December 1947, Philip Morris sent Imperial a carton of PLAYER'S cigarettes of Philip Morris' manufacture. On January 27, 1948, Imperial wrote Philip Morris, commenting on diffences between Imperial's package and Philip Morris' package. Imperial stated, in part:

> "Our Trade Marks Department point out that the Trade Mark numbers 15 4011 and 13 645 are United Kingdom numbers and feel that although it is entirely a matter for you to decide you may like to use simply the words "Regd. Trade Mark' under the Lifebuoy and on the reverse side above the representation of Nottingham Castle in the oval."

On February 16, 1948, an official of Philip Morris wrote:

> "I have taken up with our legal Department your suggestion that we use the words *'Regd.* Trademark' on our Players shell (hull). They should like to know if you have the Player's brand registered in the United States and believe, if it has not already been done, that you should do so. We shall then change the shell, removing the numbers and inserting 'Regd. Trade Mark'."

On February 23, 1948, Imperial in response to Philip Morris' letter of February 16, sent the following memorandum to Philip Morris:

> "With reference to the letter from Philip Morris & Co. Ltd., Inc. New York, of the 16th February, there were two registrations of Trade Marks in the United

States which concern the Player's 20s Packet. These are:—

Regd. No.	Date of Regn.	Mark
37158	1. 10. 1901	Label consisting of Lifebuoy with words 'Player's Navy Cut' on it.
37350	26. 11. 1901	Label consisting of Nottingham Castle and certain wording beneath it.

These United States registrations do not correspond exactly with the English registrations Nos. 154011 and 13645.

With regard to the first United States Mark No. 37158 a letter was written to Mr. Junius Parker, General Counsel of the American Tobacco Company on January 15th, 1926, stating that this registration was in respect of a brand which under the terms of the Decree of the Supreme Court in 1911 became as regards the United States the property of the American Tobacco Company, and adding that the Imperial Tobacco Company did not propose to renew the registration but that if the American Tobacco Company wished to renew it they were at liberty to do so.

"I do not know whether this registration was renewed or not but this should be easily ascertainable from the Register in America.

"The second United States registration No. 37350 was renewed in 1931 by the Imperial Tobacco Company."

27. On January 6, 1951 Philip Morris applied to the United States Patent Office to register PLAYER'S as a trademark for cigarettes. Registration No. 552,831 covering the trademark was issued by the Patent Office on January 1, 1952. An affidavit asserting the requirements set

forth in 15 U.S.C. § 1065 was filed on January 22, 1957 and the affidavit was accepted by the Commissioner of Patents. This registration became incontestable on January 22, 1957.

28. On January 6, 1951, Philip Morris applied to the United States Patent Office to register the sailor head device as a trademark for cigarettes. Registration No. 555,-064 covering the trademark was issued by the Patent Office to Philip Morris on February 19, 1952. An affidavit in 15 U.S.C. § 1065 was filed on March 6, 1957 and the affidavit was accepted by the Commissioner of Patents. This registration became incontestable on March 6, 1957. This trademark has been on the packages of PLAYER'S Medium Navy Cut cigarettes sold by American and by Philip Morris.

29. The date of the first issue of each of these trademarks by Philip Morris claimed in the applications which resulted in Registrations No. 552,831 and No. 555,064, namely, February 14, 1945, was the date on which Philip Morris started to manufacture PLAYER'S cigarettes.

30. Both Philip Morris and Imperial believed it was desirable and to the mutual advantage of each that PLAYER'S cigarettes sold in the United States, the United Kingdom and elsewhere throughout the world should be similar. Philip Morris used a blend developed by one of its officers which later was modified in accordance with suggestions from Imperial. Philip Morris and Imperial arranged for an annual exchange of samples so their products would conform. All of this was done on a voluntary, non-compulsory basis. Imperial was satisfied with Philip Morris' product.

At no time during the period 1945 to date has Imperial controlled the nature, quality or packaging of PLAYER'S cigarettes manufactured and sold by Philip Morris in the United States, nor has it made any unequivocal effort to do so.

As recently as December 8, 1961, Imperial, (in an internal communication) referred to its proposed packaging change and stated:

> "We discussed the position of Philip Morris in this matter and as neither we nor the B.A.T. Company can give instructions to Philip Morris concerning this design change we felt that the Executive Committee might feel that either we or you from Head Office should write to Philip Morris and advise them that we are making a change in the design of our Medium Navy Cut cartons next year and that the B.A.T. Company are following suit and it may well be that, in order that the change can be world-wide, Philip Morris may also wish to conform."

CONCLUSIONS OF LAW

IV.

Philip Morris contends that it owns the brand of cigarettes and other tobacco products known as PLAYER'S and the trademark PLAYER'S in the United States. It bases its title on purchase from American of the property acquired by American upon dissolution of the tobacco trust.

Imperial contends that Philip Morris is a licensee of Imperial. It asserts that a license was created by the Ogden agreement and was confirmed by the court in the antitrust proceedings.

On this issue the Court concludes:

1. The opinion of the Supreme Court of the United States in United States v. American Tobacco Company, 221 U.S. 106, 31 S.Ct. 632, 55 L.Ed. 663 (1911), the decree implementing the opinion, United States v. American Tobacco Company, 191 F. 371, 417 (C.C.S.D.N.Y.1911), and the document of rescission of the Ogden agreement dated

January 30, 1912, all preclude the existence or continuance of any relationship between Imperial and American based upon the Ogden agreement. These papers terminated the relationship between Imperial and American. They neither continued, nor constituted, American a licensee of Imperial. They transferred from Imperial to American the brands and trademarks American had used in the United States.

The language of the 1911 decree,

> "Each company to treat as its own, but only to the extent provided for in said contracts, all brands and trade-marks which by said contracts it was given the right to manufacture and sell, the said rights having been perpetual and constituting in effect a conveyance of the brands and trade-marks used for the countries in which they were so used by each of said companies as aforesaid.",

constituted a termination of the arrangement created by the Ogden agreement, and a transfer of the brands and trade-marks to the company which had used them in its territory. The qualifying language "but only to the extent provided for in said contracts" referred to geographical limitations. The Court was conscious of the necessity of excepting foreign business. e. g. United States v. American Tobacco Co., 191 F. 371, 379, 382 (C.C.S.D.N.Y. 1911).

No provision in the decree refers to the terms upon which a license was to be held, or control was to be exercised. No reference is made in the decree to any residual rights of Imperial in brands and trademarks transferred to American. These omissions negate the existence of a license.

Imperial retained no residual rights in any brands and trademarks which passed to American under the decree.

Philip Morris is not a licensee of Imperial. Philip Morris owns outright the property it acquired from American.

It may be appropriate to note that this conclusion is consistent with the position taken by American and Imperial in 1913 when American wrote:

> "We are advised that the decree of November 16, 1911, of which you have a copy, terminated the contract of September 27, 1902, in so far as that contract was executory, leaving us owning in the United States the brands which during the license of the contract, we had imported."

Imperial implicity recognized the effect of the 1911 decree by its query "Is there any intention to maintain the spirit of the Ogden agreement?"

The conclusion that Philip Morris is not a licensee of Imperial finds support in the Report of the Attorney General's National Committee to Study the Antitrust Laws, 10 (1955), where, in commenting upon United States v. American Tobacco Company, 221 U.S. 106, 31 S.Ct. 632 (1911), it is observed:

> "Remedying this violation, the Court ordered American dissolved in order to recreate 'a new condition which shall be honestly in harmony with and not repugnant to the law.' Such a decree required, in the Circuit Court's view, the division of American into 14 (later 16) corporations, *and prohibiting any connection between these companies and their British rivals.* * * *" (Emphasis added)

V.

Philip Morris contends that it has the exclusive right to use PLAYER'S on tobacco products in the United States.

Imperial concedes that it may not sell in the United States tobacco products which bear PLAYER'S and the words "Navy Cut", PLAYER'S and the sailor head de-

vice, or PLAYER'S and both the words "Navy Cut" and the sailor head device.

Imperial contends, however, that it may sell in the United States any of its brands bearing the trademark PLAYER'S if it does not use the words "Navy Cut" or the sailor head device.

On this issue the Court concludes:

2. Prior to the 1902 contracts between American and Imperial, PLAYER'S was a good and valid trademark in the United Kingdom.

3. The term "Navy Cut" is descriptive of tobacco. It is not a trademark or a brand. It is a term "common to the trade" and was specifically disclaimed by Imperial and its predecessors in registering PLAYER'S as a trademark in the United Kingdom.

P. D. Beckwith, Inc. v. Commissioner of Patents, 252 U.S. 538, 545, 40 S. Ct. 414, 416, 64 L.Ed. 705 (1920) sanctions the disclaimer of descriptive words as a condition to registration of a trademark. The Court said:

> "It seems obvious that no one could be deceived as to the scope of such a mark, and that the registrant would be precluded by his disclaimer from setting up in the future any exclusive right to the disclaimed part of it. * * *"

This Court is of the opinion that the same reasoning precludes Imperial from asserting that Philip Morris can use PLAYER'S only with the descriptive words "Navy Cut".

4. The fact that the B.A.T. agreement referred to "brands" and "trademarks" and the Ogden agreement spoke of brands", is not of controlling significance in determining the scope of the opinion in United States v. American Tobacco Company, 221 U.S. 106, 31 S.Ct. 632 (1911) and the effect of the decree in United States v. American Tobacco Company, 191 F. 371, 417 (C.C.S.D.N.Y. 1911).

The terms "brands" and "trademarks", were of similar import insofar as they were used in connection with the product bearing a word trademark (as contrasted with a pictorial trademark). The term "brand" was generally used as a convenient or even a colloquial way to refer to a word trademark. See Menendez v. Holt, 128 U.S. 514, 9 S.Ct. 143, 32 L.Ed. 526 (1888).

5. Insofar as there may be a difference between the term "brands" and the term "trademarks", the brand which became the property of American was PLAYER'S. Even if the brand were PLAYER'S Navy Cut or PLAYER'S Medium Navy Cut or PLAYER'S Navy Cut Medium, nevertheless the word PLAYER'S, which is the trademark, is included in such phrases as the dominant word.

6. The trademark which became the property of American, and which was conveyed to Philip Morris, is PLAYER'S. Philip Morris has the exclusive right to use this trademark in the United States.

Philip Morris may use PLAYER'S without the descriptive words "Navy Cut" or without the sailor head device.

VI.

Philip Morris contends that regardless of the rights which it acquired by purchase, it has used PLAYER'S as a trademark and the sailor head device as a trademark for cigarettes since 1926. Based upon this use, it claims that it is now the owner in the United States of a good and valid common law trademark known as PLAYER'S and also a good and valid common law trademark—the sailor head device.

Imperial takes the position that Philip Morris' use of PLAYER'S and the sailor head device is immaterial on the ground that Imperial's prior use dates back to 1900 and continues through its licensee's use and its own use subsequent to 1902.

On this issue the Court concludes:

7. Use by Imperial before 1902 does not defeat Philip Morris' claim. These early sales were small. In any event, rights arising out of them were merged with the rights created by the Ogden agreement. Along with the rights created by the Ogden agreement, they were transferred to American by the 1911 decree.

8. The Court has previously concluded that the 1911 decree did not continue a licensor-licensee relationship. No document after the decree established American or Philip Morris as a licensee of Imperial. For this reason, Philip Morris' claim is not defeated by Imperial's contention that Philip Morris used PLAYER'S and the sailor head device as a licensee of Imperial.

9. Imperial's shipments of cigarettes and smoking tobaccos bearing the mark PLAYER'S to the United States before 1957 were sporadic, casual and nominal in character and thus created no rights in Imperial and did not affect Philip Morris' rights to PLAYER'S in the United States. Menendez v. Holt, 128 U.S. 514, 521, 9 S.Ct. 143 (1888); Le Blume Import Co. v. Coty, 293 F. 344, 351 (2d Cir. 1923).

10. PLAYER'S is a good, valid common law trademark owned by Philip Morris and the sailor head device is also a good, valid common law trademark owned by Philip Morris, resulting from the adoption of these marks and their extensive and continuous use since 1926 after four years' prior use under an arrangement with American, Trademark Cases, 100 U.S. 82, 94, 25 L.Ed. 550 (1879).

11. Philip Morris, as the owner in the United States of the common law trademark PLAYER'S and the common law trademark of the sailor head device, is entitled to the sole and exclusive use of PLAYER'S and of the sailor head device on cigarettes and tobacco products in the United States.

VII.

Philip Morris contends that its United States registration of PLAYER'S as a trademark for cigarettes, No. 552831, and its registration of the sailor head device as its trademark for cigarettes, No. 5550964, are conclusive evidence of Philip Morris' exclusive right to use the registered mark in the United States.

Imperial claims that the registrations were in subversion of Philip Morris' obligations as a privy of Imperial, with the consequence that, in equity, the registrations belong to Imperial. Imperial also claims that Philip Morris, in substance, occupies the position of a "related company" of Imperial within the meaning of the Lanham Act, 15 U.S.C. § 1055.

On this issue the Court concludes:

12. Tillamook County Creamery Ass'n. v. Tillamook Cheese & Dairy Ass'n., 143 U.S.P.Q. 12, Aff'd 345 F.2d 158 (9th Cir. 1965), petition for certiorari filed, 86 S.Ct. 239 (October 12, 1965) and Smith v. Dental Products Co., 140 F.2d 140 (7th Cir. 1944), upon which Imperial relies, are not controlling. These cases rest upon privity which previously existed between the claimants of the marks.

The 1911 decree not only severed the privity that was created by the Ogden agreement, but went much further. It authorized "* * * each company to treat as its own but only to the extent provided for in said contracts, all brands and trademarks which by said contracts it was given the right to manufacture and sell." It is the transfer of the brands and trademarks to American from Imperial which distinguishes this case from *Tillamook* and *Smith*. The 1911 decree refutes the major premise upon which Imperial bases its attack upon Philip Morris' United States registrations.

13. Philip Morris' registrations of PLAYER'S and the sailor head device are prima facie evidence of the validity,

ownership and exclusive right to use the registered mark, 15 U.S.C. § 1057(b).

The United States trademark registrations of Philip Morris, Nos. 552831 and 555064, have been constructive notice of Philip Morris' claim of ownership of the trademarks from the respective dates of the registrations in January and February, 1952, 15 U.S.C. § 1072.

The Commissioner of Patents' acceptance of Philip Morris' affidavits filed in 1957 with respect to the trademark registrations made the registrations incontestable, 15 § 1065 and § 1115(b).

The burden of establishing a defense which falls within one of the exceptions mentioned in 15 U.S.C. § 1115(b) is upon Imperial. The defense must be pleaded affirmatively, Fed.R.Civ.P., 8(c). Imperial has not done this.

Philip Morris' registration was not surreptitious. Essential facts were not withheld from the Commissioner of Patents. Philip Morris did not practice any fraud. Imperial has failed to prove that any exceptions of 15 U.S.C. § 1115(b) are applicable.

14. Title 15 U.S.C. § 1127 provides, in part:

> "The term 'related company' means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used."

The exchange of information between the parties was voluntary and was not the exercise of control by Imperial necessary to establish Philip Morris as a "related company." See Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 366 (2d Cir. 1959); 4 Callmann, Unfair Competition and Trade-Marks, 2118-2124 (2d ed. 1950).

Furthermore, it should be observed that the statutory definition of a "related company" expressly requires legiti-

mate control. This provision was inserted in the Act to prevent antitrust abuses. See Shniderman, Trade-Mark Licensing—A Saga of Fantasy and Fact, 14 Law & Contemp. Prob., 248 252 (1949). The proceedings in the *American Tobacco* case prohibited Imperial from exercising control over its United States rivals. Hence, any control, if such did exist, would not be legitimate.

Following the 1911 decree, there was no related company or license relationship of any kind embracing either the PLAYER'S trademark or the trademark of the sailor head device in the United States between Imperial, on the one hand, and American or Philip Morris, on the other.

Philip Morris' registrations do not in equity belong to Imperial.

15. Upon the basis of 15 U.S.C. § 1115(b), Philip Morris is the absolute owner in the United States of the trademark set forth in United States Registrations Nos. 552831 (PLAYER'S) and 555064 (sailor head device).

VIII.

16. Over a number of years before 1957, Imperial made shipments of nominal quantities of cigarettes and smoking tobacco bearing the mark PLAYER'S to the United States. These shipments were infringements of Philip Morris' trademark rights in PLAYER'S. The shipments were casual and nominal. They created no rights in Imperial, and had no effect on Philip Morris' rights to PLAYER'S in the United States. Menendez v. Holt, 128 U.S. 514, 9 S.Ct. 143 (1888); Le Blume Import Co. v. Coty, 293 F. 344, 351 (2d Cir. 1923).

Imperial's shipments since 1957 infringed upon Philip Morris' trademark rights in PLAYER'S.

17. Entirely apart from any other basis upon which Philip Morris claims its exclusive right to PLAYER'S in the United States, and even assuming that American ac-

quired only PLAYER'S Navy Cut, Imperial has no right to use the term PLAYER'S in the United States, either alone or in combination with other words, for cigarettes and tobacco products, since the term PLAYER'S is the distinguishing, dominant and salient feature of Philip Morris' trademark. John Wanamaker, Philadelphia v. Warner Bros. Co., 58 App.D.C. 284, 29 F.2d 872 (1928); Bunte Bros. v. Standard Chocolates, Inc., 45 F.Supp. 478 (D.Mass. 1942).

18. Philip Morris has the exclusive right to advertise and sell in the United States tobacco products under the trademark PLAYER'S. It also has the exclusive right to use for this purpose the sailor head device.

19. Imperial has no right or privilege to advertise or sell tobacco products of any kind under the word PLAYER'S in the United States, except as it is permitted to do so by the written agreements between the parties concerning shipments to the British Embassy and British Armed Forces in the United States.

20. Imperial's contention that Philip Morris should be denied relief because the United States public recognizes that Philip Morris' PLAYER'S cigarettes have an English source of origin is without merit. At most, the evidence discloses that PLAYER'S is recognized as an English type cigarette. The evidence does not establish that the United States public believes that PLAYER'S cigarettes sold by Philip Morris in the United States are manufactured in England by Imperial.

Imperial's "English source of origin" argument, however, is subject to a more basic flaw. Imperial's position has already been decided adversely to it. The 1911 decree provided, in part:

> "* * * each company to treat as its own * * * all brands and trademarks which by said contracts it was given the right to manufacture and sell, * * *."

The decree applied to English cigarettes sold in the United States. This Court finds no warrant for drastically limiting the effect of the decree on the ground that some of the cigarettes with which the decree was concerned might be recognized as being of English origin.

21. Imperial does not own the mark PLAYER'S throughout the world. Imperial is the owner of PLAYER'S in the United Kingdom and Ireland. In other parts of the world, except the United States, the owner of PLAYER'S is the British-American Tobacco Company. Imperial's use of PLAYER'S in the United Kingdom does not establish a right by Imperial to use the trademark in the United States. Indeed, to hold otherwise would be to disregard the proceedings dissolving the tobacco trust. Cf. A. Bourjois & Co. v. Katzel, 260 U.S. 689, 43 S.Ct. 244, 67 L.Ed. 464 (1923).

It was not the purpose of the antitrust proceedings to exempt the parties from complying with established principles of fair competition. Imperial has never been restrained from competing in the sale of cigarettes and tobacco products in the United States under any trademarks it may choose which avoid a likelihood of confusion with Philip Morris' products. Imperial may not infringe Philip Morris' trademarks. Cf. Esso, Inc. v. Standard Oil Co., 98 F.2d 1, 8 (8th Cir. 1938).

22. Philip Morris is entitled to an injunction restraining Imperial, its officers, agents, servants, employees and attorneys, and those persons in active concert or participation with it, them or any of them, from using in the advertising, offering for sale or sale of cigarettes and other tobacco products into or in the United States the word PLAYER'S and any other designation which by colorable imitation or otherwise is likely to be mistaken for or confused with Philip Morris' trademark PLAYER'S; and from using for this purpose the trademark of the sailor head device and any other designation which by colorable imitation or other-

wise is likely to be mistaken for or confused with Philip Morris' sailor head device trademark.

23. Philip Morris is entitled to an accounting for profits and damages as prayed for in the complaint. Counsel are requested to confer to determine whether the amount due Philip Morris can be stipulated. The stipulation, of course, would be received without prejudice to the position taken by the parties on all other issues in the case. If the parties can not reach this stipulation the issue will be set for hearing or referred to a master.

24. Imperial's counterclaim will be dismissed with prejudice.

25. Philip Morris is entitled to recover its costs to be taxed by the Clerk of this Court. Philip Morris is not entitled to attorneys' fees as there is no evidence of bad faith or fraud on the part of Imperial. Century Distilling Co. v. Continental Distilling Corp., 205 F.2d 140, 149 (3rd Cir. 1953); Williamson-Dickie Mfg. Co. v. Davis Mfg. Co., 149 F.Supp. 852, 855 (E.D.Pa.1957), aff'd. 251 F.2d 924 (3rd Cir. 1958).

JOHN D. BUTZNER, JR.,
United States District Judge

Dec. 27, 1965

[Second Opinion. Caption Omitted.]

Memorandum of the Court

This court previously held in Philip Morris, Incorporated v. Imperial Tobacco Co., 251 F.Supp. 362 (E.D.Va.1965), that Philip Morris had the exclusive right to use the trademark "PLAYER'S" in the United States. The court also held that Imperial has no right to use PLAYER'S in the United States either alone or in combination with other words. The court will not repeat in this memorandum the findings and the conclusions upon which the decision concerning PLAYER'S rests. However, reference to the ear-

lier memorandum of the court is necessary to understand the issues here.

After the court filed its first memorandum, Imperial was granted leave to amend its pleadings to place in issue the rights of the parties with respect to the words JOHN PLAYER & SONS and the "Nottingham Castle" mark.

Both Philip Morris and Imperial claim the exclusive right to use JOHN PLAYER & SONS in the United States.

John Player, an individual, traded in cigarettes, cigars, and tobacco in his own name prior to 1875 at Nottingham, England. After a period of trading as a partnership with his sons, he incorporated before 1900 under the name, "JOHN PLAYER & SONS, LIMITED." Imperial acquired the assets of JOHN PLAYER & SONS, LIMITED. Its acquisition was recorded in the United States Patent Office on February 9, 1903. Imperial manufactures and sells in England tobacco products under a trade or commercial name including the words, JOHN PLAYER & SONS, e.g. John Player & Sons Branch of The Imperial Tobacco Company (of Great Britain and Ireland), Limited, or similar forms. In all parts of the world except the United Kingdom and the United States, the British American Tobacco Company, not Imperial, has the right to use JOHN PLAYER & SONS.

Prior to 1902, JOHN PLAYER & SONS, LIMITED, sold tobacco products in the United States under its name. These sales were so small and insignificant that a senior official of the firm was not aware of them.

From 1902 until 1911 sales of tobacco in the United States were controlled by the Ogden agreement, which divided the world into exclusive territories for the sale and manufacture of tobacco products. Imperial and American Tobacco Company (Philip Morris' assignor of PLAYER'S) were signatories of this agreement. Antitrust proceedings terminated the Ogden agreement's monopoly in the United

States in 1911. The decision of the Court is found in United States v. American Tobacco Co., 221 U.S. 106, 31 S.Ct. 632, 55 L.Ed. 663 (1911) and the decree in United States v. American Tobacco Co., 191 F. 371 (C.C.S.D.N.Y.1911).

Of course, while the Ogden agreement was in effect, from 1902 to 1911, Imperial sold no JOHN PLAYER & SONS products in the United States to the public. From 1912 until 1956, Imperial's sales of these tobacco products were small. Since 1957 Imperial's sales of tobacco bearing the legend JOHN PLAYER & SONS have increased. It is these sales that Philip Morris protests as an infringement of its trademark PLAYER'S.

The use of a word in a trade name may infringe a trademark. Rice & Hutchins v. Vera Shoe Company, 290 F. 124 (2d Cir. 1923). The test of infringement under the Lanham Act is whether the use of the name in question "* * * is likely to cause confusion, or to cause mistake, or to deceive * * *." 15 U.S.C. § 1114(1) (a). Atlas Supply Co. v. Atlas Brake Shops, Inc., 360 F.2d 16, 18 (6th Cir. 1966).

The court finds that the use of JOHN PLAYER & SONS in connection with the sale of tobacco products is likely to cause confusion or mistake with the sale of tobacco products under the name of PLAYER'S. The reasons for this are not difficult to understand. Imperial, British-American Tobacco Company, American Tobacco Company and Philip Morris—with the acquiescence of Imperial—sought to identify PLAYER'S cigarettes, particularly PLAYER'S Navy Cut cigarettes, with JOHN PLAYER & SONS. They consulted to achieve uniform design of their cartons throughout the world. Their packages carried the trademark PLAYER'S and the trade name JOHN PLAYER & SONS. We need not determine that Imperial is estopped, in view of these efforts, from asserting that the public is not likely to confuse PLAYER'S with JOHN PLAYER & SONS. It is sufficient to find that the campaign to identify the trademark with the trade name has been highly successful.

Imperial contends that prior to 1900 JOHN PLAYER & SONS, LIMITED, had the right to trade in the United States under its name by force of Article 8 of the Paris Convention—the International Convention for the Protection of Industrial Property of 1883. This treaty was adopted in the United States in 1887. Congress has implemented it by 15 U.S.C. § 1126(b) and (g). Section 1126 (g) provides:

> "(g) Trade names or commercial names of persons * * * [whose country of origin extends comparable rights to nationals of the United States by treaty or reciprocation] shall be protected without the obligation of filing or registration whether or not they form parts of marks." [Brackets added]

Whatever exclusive rights Imperial had to JOHN PLAYER & SONS in the United States were terminated by the Ogden agreement. Clause 15 of the agreement provides in part:

> "The Imperial Company similarly agrees and shall covenant with the American Company * * * that the Imperial Company will not at any time * * * except as hereinafter expressly excepted, either solely or jointly, with any other person, or persons, company or companies, directly or indirectly, carry on or be employed, engaged, concerned or interested in the business in the United States of a tobacco manufacturer or in any dealing in tobacco * * * or sanction the use of its name in connection with any such business therein same so far as the Imperial Company shall as a member of any other company formed or to be formed with the concurrence of the American Company * * * be interested in the business thereof and save and except that the Imperial Company shall be at liberty to buy and treat tobacco leaf and other materials in the United States for the purpose of its business * * *."

Clause 18 provided that Imperial would not sell or consign any tobacco products to any person or firm in the United States except the American Tobacco Company, or persons or companies designated by it, and Imperial further agreed not to sell any tobacco products to anyone who it had reason to believe would export them to the United States.

It is quite clear from the Ogden agreement that Imperial had no right to use its trading name in the United States except for the limited purpose of buying and treating tobacco leaf and other materials. It had no right to trade in the United States with the public in tobacco products under its own name or the name of its branches, including JOHN PLAYER & SONS.

The decree of 1911 dissolving the tobacco trust granted to Philip Morris' assignor, American Tobacco Company, the trademark PLAYER'S. Nothing in the decree suggests that the Court restored Imperial to its pre-Ogden status so Imperial under claim of prior right could infringe the trademark PLAYER'S by trading under the name JOHN PLAYER & SONS. It is unthinkable that the Court intended its decree to be an empty vessel.

This court holds Imperial does not have prior right to use JOHN PLAYER & SONS in the United States.

Imperial's sales of JOHN PLAYER & SONS tobacco products in the United States after 1911 created no rights in Imperial. Neither the Paris Convention nor its implementing provisions, 15 U.S.C. § 1126(b) and (g), was intended to permit a trade name, otherwise entitled to protection, to infringe a valid trademark.

Imperial's reliance on S. C. Johnson & Son, Inc. v. Johnson, 116 F.2d 427 (2d Cir. 1940), aff'd *upon reconsideration,* 175 F.2d 176 (2d Cir. 1949), and Swift & Co. v. T. W. Swift Co., 124 F.Supp. 434 (M.D.N.C.1954) is misplaced. These cases abound with factual distinctions which prevent their

application to the controversy between Philip Morris and Imperial. In *Johnson* and *Swift* the courts declined to enjoin the defendants' use of surnames which were similar to the established trading names of the plaintiffs. The defendants' products did not compete with the plaintiffs' or offered only minimum competition. The principal difference, however, lies in the fact that in neither case had the parties entered into a contract comparable to the Ogden agreement. Imperial is precluded from reliance upon *Johnson, Swift,* and similar cases by its covenant with American Tobacco Company not to compete in the United Statse under the trade name JOHN PLAYER & SONS and at the same time (as determined by the 1911 decree) in effect conveying to American the most important part of its trading name—the brand or trademark, PLAYER'S.

From what has been said, it does not follow that Philip Morris is entitled to use JOHN PLAYER & SONS in the United States. Philip Morris could have obtained this right from three sources: (1) the Ogden agreement and the 1911 decree; (2) an irrevocable license from Imperial; or (3) its use of the trade name in the United States. None of these is sufficient to establish Philip Morris' claim. The Ogden agreement did not convey trade names. This was implicitly recognized in the 1911 decree, which provided in part:

> "* * * each company to treat as its own, but only to the extent provided for in said contracts, all *brands* and *trade-marks* which by said contracts it was given the right to manufacture and sell, the said rights having been perpetual and constituting in effect a conveyance of the *brands* and *trademarks* used for the countries in which they were so used by each of said companies as aforesaid." (Emphasis added.)

A "trade name" refers to the name of a business. A "brand" or "trademark" refers to the product sold by the business. At times they may overlap. But there is nothing

in the decree that indicates the court intended to blur the well-recognized distinction between the terms. If it had intended that the American Tobacco Company was to acquire the English trade names, undoubtedly it would have expressed this drastic provision in definite terms. Actually the court did not intend to prevent Imperial from trading in the United States. The proceedings were instituted to remove trade restrictions.

The evidence does not disclose that Imperial granted Philip Morris or its predecessor, American Tobacco Company an irrevocable license or permission to use JOHN PLAYER & SONS. Although Philip Morris and Imperial appear as adversaries, they have been staunch allies when this role served their mutual advantage. They consulted frequently to achieve uniformity in their packages and public acceptability of their cigarettes. The goal of uniformity led Imperial to consent to Philip Morris' use of JOHN PLAYER & SONS in the legend "Established by John Player & Sons." Philip Morris accepted Imperial's permission, and neither American Tobacco Company nor Philip Morris claimed ownership of the trade name JOHN PLAYER & SONS. This is in sharp contrast to their claims of ownership to the trademark PLAYER'S.

Philip Morris' use of JOHN PLAYER & SONS was more in the nature of a trademark than a trade name, especially after the Federal Trade Commission required Philip Morris to show that its Player's Navy Cut cigarettes were manufactured in the United States. Philip Morris & Co., Ltd., Incorporated, 32 F.T.C. 278 (1940). Philip Morris and Imperial were not related companies within the meaning of 15 U.S.C. § 1127. Imperial could not legitimately control Philip Morris in respect to the nature and quality of its cigarettes. Ordinarily under these circumstances Imperial's consent that Philip Morris could use JOHN PLAYER & SONS would constitute an abandonment of the mark. 15 U.S.C. §§ 1064, 1127. Cf. Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 366 (2d Cir. 1959).

It was the decree of 1911 that prevented them from being associated as related companies. Despite the decree, Philip Morris voluntarily conformed its cigarettes to Imperial's standards. Although Philip Morris' formula was not identical to Imperial's, both parties were satisfied with the uniformity they achieved. There is nothing in the evidence to suggest that Imperial would not have withdrawn its consent to use JOHN PLAYER & SONS if Philip Morris deviated substantially from Imperial's standards. Thus, although the decree of 1911 prevented Philip Morris and Imperial from enjoying the status of related companies, Philip Morris' voluntary acquiescence in Imperial's standards should not permit Philip Morris to appropriate for its own use that which it induced Imperial to permit it to use. Philip Morris' permissive usage in the past does not establish a right to hostile usage in the future. Imperial's acquiescence in Philip Morris' use of JOHN PLAYER & SONS did not create new rights in Philip Morris. In Menendez v. Holt, 128 U.S. 514, 524, 9 S.Ct. 143, 145, 32 L.Ed. 526 (1888), the Court observed:

> "Where consent by the owner to the use of his trademark by another is to be inferred from his knowledge and silence merely, 'it lasts no longer than the silence from which it springs. It is, in reality, no more than a revocable license.' Duer, J., Amoskeag Mfg. Co., v. Spear & Ripley, 2 Sandf., N.Y., 599."

Imperial trades in the United. The geographical area of its market coincides with Philip Morris'. Both companies deal in tobacco products and both sought to associate the trademark PLAYER'S with the trade name JOHN PLAYER & SONS. Imperial is entitled to restrain Philip Morris from appropriating its trade name. Undoubtedly the order of the Federal Trade Commission in Philip Morris & Co., Ltd., Incorporated, 32 F.T.C. 278 (1940), eliminated the suggestion that Philip Morris' PLAYER'S cigarettes originated in England, nevertheless Philip Morris'

use of JOHN PLAYER & SONS closely identifies its product with some of Imperial's products. Both are English type cigarettes. Imperial is entitled to the protection afforded by Section 8 of the Paris Convention, and 15 U.S.C. § 1126(b) and (g) to prevent this unfair competition.

Closely related to the trade name, JOHN PLAYER & SONS, is the mark depicting a castle on a bluff with the legend, "Notm Castle." Both Philip Morris and Imperial claim the right to exclusive use of this mark in the United States.

On November 26, 1901, JOHN PLAYER and SONS LIMITED (Imperial's predecessor) registered in the United States Patent Office (No. 37,350) a mark which included a picture of a castle with considerable writing, including the legend:

"Castle Cavendish Works
Nottingham"

Although the mark was submitted in connection with Drumhead cigarettes, Amendment No. 3 of the application shows that the essential feature of the mark is the * * * representation of Nottingham Castle." The assignment of the trademark and registration to Imperial were recorded in the United States Patent Office February 9, 1903. The registration was renewed by Imperial in 1931 and in 1951. The registration has neither been cancelled nor abandoned.

Under the Ogden agreement, American Tobacco Company sold tobacco products in the United States bearing this mark. The 1911 decree terminating the Ogden agreement did not list the brands and trademarks that passed to the various companies. The companies, however, carefully stated their claims of ownership.

American Tobacco Company never claimed the Nottingham Castle mark. It did not specify the mark when it assigned its rights to Philip Morris. Philip Morris never claimed the mark until this litigation. Imperial consistently

claimed the mark and renewed its registration. This is in sharp contrast to the claim of ownership in PLAYER'S and the sailor head device made by American Tobacco Company and Philip Morris.

The construction which the parties gave to the 1911 decree is not controlling, but it is persuasive. In respect to the Nottingham Castle mark, no sound reason exists for departing from the scope and limitations the parties accorded the decree. The court concludes that Philip Morris did not acquire the mark by the 1911 decree.

Imperial did not abandon its Nottingham Castle mark. Its United States sales of products bearing the mark, although small, evidenced no intention to abandon. Philip Morris' reliance upon 15 U.S.C. § 1120, which creates liability for false or fraudulent registration of a trademark, is misplaced. Imperial's affidavits supporting its application for renewal in 1931 and 1951 were not false or fraudulent. The mark was used in commerce. Imperial's first renewal of the registration in 1931 was published by the Patent Office. The status of this mark and its registration was specifically called to plaintiff's attention in 1948. Finally, this registration was republished under the provisions of the Trademark Act of 1946, 15 U.S.C. § 1062(c), on July 22, 1952 in the Patent Office Official Gazette. This gave Philip Morris a further opportunity for five years to cancel the registration (15 U.S.C. § 1064). This right has now expired. It cannot now be heard to claim rights in this mark.

Philip Morris has also used the Nottingham Castle mark on packages of PLAYER'S cigarettes. Imperial permitted use of its mark. It was to the mutual advantage of Imperial and Philip Morris to voluntarily conform their packages and their product.

There is nothing in the record to suggest that Imperial would not have withdrawn its consent for Philip Morris to use the mark if Philip Morris deviated substantially from

Imperial's standards. Although, as the court has mentioned, the 1911 decree prevented Philip Morris and Imperial from being related companies, Philip Morris' voluntary acquiescence in Imperial's standards should not permit Philip Morris to appropriate for its own use the mark which it induced Imperial to permit it to use.

Imperial never granted Philip Morris an irrevocable license to use its Nottingham Castle mark. It has the right to withdraw its consent. Imperial's use of the Nottingham Castle mark in the United States will not infringe any trademark owned by Philip Morris.

The public interest requires preservation of the integrity of the antitrust proceedings that terminated the tobacco monopoly. Within the framework of those proceedings the rights of the parties to their trademarks, brands, and trade names must be protected. These goals are not incompatible. Standard Oil Co. (Kentucky) v. Humble Oil & Refining Co., 363 F.2d 945 (5th Cir. 1966), cert. denied, 385 U.S. 1007, 87 S.Ct. 714, 17 L.Ed.2d 545 (1967).

Imperial can trade in the United States using its trademarks, its trade name, and the trade name of its branches which do not infringe Philip Morris' trademarks. The antitrust proceedings did not strip from Philip Morris the protections to which its trademarks are entitled. But Philip Morris cannot use without lawfully granted permission Imperial's branch trading name or mark.

The court concludes:

1. Philip Morris never acquired the right to non-permissive use of JOHN PLAYER & SONS.

2. Imperial's use of JOHN PLAYER & SONS infringes Philip Morris' trademark, PLAYER'S, and consequently Imperial cannot use this trade name in the United States.

3. Philip Morris never acquired the right to non-permissive use of the Nottingham Castle mark.

4. Imperial has the exclusive right to use its Nottingham Castle trademark in the United States.

5. Before the counterclaim was amended the parties stipulated Imperial was damaged in the amount of $1.00. The subsequent proceedings on the amended pleadings show no additional liability or damage.

6. The court previously denied Philip Morris' prayer for attorneys' fees. Nothing raised by the amended counterclaim or the subsequent litigation alters this denial.

7. Philip Morris has not prevailed on the Nottingham Castle issue. Accordingly the previous award of costs will be modified. Philip Morris is entitled to recover three-fourths of its costs to be taxed by the Clerk of this court.

/s/ JOHN D. BUTZNER, JR.
United States District Judge-Designate

November 17, 1967

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

SUPREME COURT, U. S.
FEB 4 1969
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM 1968

No. 912

THE IMPERIAL TOBACCO COMPANY (of Great Britain and Ireland), LIMITED,

Petitioner,

v.

PHILIP MORRIS INCORPORATED,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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IN THE

Supreme Court of the United States

OCTOBER TERM 1968

No. 912

THE IMPERIAL TOBACCO COMPANY (of Great Britain and Ireland), LIMITED,

Petitioner,

v.

PHILIP MORRIS INCORPORATED,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

Question Presented

Is respondent Philip Morris[1] the owner in the United States of the common law and registered trademark PLAYER'S and entitled to enjoin petitioner Imperial's use of PLAYER'S in the United States?[2]

[1] Respondent will be referred to as "Philip Morris" and petitioner will be referred to herein as "Imperial."

[2] The trademark consisting of the Sailor's Head device, which is separately registered, is involved in this litigation similarly to the trademark PLAYER'S, which is also separately registered. For convenience, reference herein will be made only to PLAYER'S.

Statement of the Case

On September 27, 1902, Imperial and American Tobacco Company (predecessor in interest to Philip Morris of PLAYER'S as will hereinafter appear) and others, entered into two written agreements which had the effect of dividing the world into territories for the manufacture and sale of tobacco products. Imperial received the United Kingdom, American Tobacco Company received the United States and a jointly owned company, British American Tobacco Company, received the remainder of the world.

Under the agreements, Imperial was empowered to manufacture and sell American Tobacco Company brands of tobacco products in the United Kingdom and American Tobacco Company had corresponding rights in the United States for Imperial's brands, and each party was to manufacture such products upon recipes and formulae to be supplied by the other (See A11).

Between that date, September 27, 1902, and November 16, 1911, American Tobacco Company purchased PLAYER'S cigarettes from Imperial and sold them in the United States. Imperial itself sold no PLAYER'S products into the United States during that period.

On May 29, 1911, this Court held, *inter alia,* that the September 27, 1902 agreements violated the Anti-Trust Laws of the United States. *United States* v. *American Tobacco Company,* 221 U. S. 106 (see particularly pp. 181-183). This Court remanded the matter to a four judge Circuit Court in the Southern District of New York to devise a plan to carry out the intentions of this Court that the companies be divorced completely and that the meretricious relationship between them terminated unequivocally (221 U. S. at pp. 187-188). The decree of the Circuit Court (191 Fed. 371, November 16, 1911), which was based on the language proposed by the parties (191 Fed. 398, 418), recognized the prior conveyance of the

brands and trademarks of one party to the other party in its residence and gave that conveyance formal effect. This language is set forth at pages A3 and A12-A13.

The Circuit Court's opinion required a rescission of the 1902 agreements. The rescission agreement, dated January 30, 1912, recited that Imperial

> "hereby rescinds the said covenants . . ."

and Imperial released American Tobacco Company

> "from any and all obligations under said covenants except as herein provided"

(the exceptions relating to non-United States matters).

In 1913, Imperial sent various tobacco products to American Tobacco Company and forwarded to it a "royalty" check. American Tobacco Company refused the check with a statement that the 1902 agreements had been terminated and that under the 1911 decree it owned the brands it had formerly imported from Imperial and made it clear that Imperial was not to send such brands into the United States, except on American Tobacco Company order. Imperial acquiesced in this position (A14-A16).

In 1922 and 1926, American Tobacco Company assigned the United States rights in PLAYER'S to Philip Morris. From 1922 to 1945, American Tobacco Company manufactured PLAYER'S cigarettes for Philip Morris which Philip Morris sold in the United States. In 1945, Philip Morris started manufacturing PLAYER'S cigarettes for itself. Philip Morris has sold PLAYER'S cigarettes in the United States continuously since 1922. Since 1940, Philip Morris' name and "Made in U.S.A." have been prominently displayed on PLAYER'S cigarettes made in the United States.

In due course, Philip Morris duly registered PLAYER'S as its trademark in the United States for cigarettes (Reg. 552,831, issued January 1, 1952; A27).

Unbeknown to Philip Morris, Imperial had prior to 1957 sporadically shipped nominal quantities of PLAYER'S products into the United States. During that time, however, Imperial had obtained permission from Philip Morris to ship PLAYER'S products to British Embassy and Military personnel in the United States and had otherwise recognized Philip Morris' rights. But in 1957, Imperial openly started shipping small quantities of PLAYER'S products into the United States. After ineffective protests, Philip Morris brought this civil action.

Philip Morris filed its complaint for infringement of its trademark PLAYER'S, for an injunction against Imperial and for declaratory relief. Both the District Court and the Court of Appeals sustained Philip Morris' ownership of PLAYER'S and its right to enjoin use by Imperial of PLAYER'S in the United States.

The Decisions Below Are Clearly Correct

The Courts below held that American Tobacco Company became the owner of PLAYER'S in the United States under the 1911 decree and that Philip Morris succeeded to its rights. Imperial's position is that (a) American Tobacco Company did not become such owner, or (b) that it should not have become such owner.

(a) The 1911 decree held that Philip Morris' predecessor owned PLAYER'S in this country.

In breaking up the "Tobacco Trust" in 1911, this Court and the Circuit Court recognized that various rights of the parties might well have become vested. The Circuit Court held this to be true of "brands and trademarks" used pursuant to the 1902 agreement, whether by American Tobacco Company in the United States or by Imperial in the United Kingdom. In recognizing the rights of the parties to govern their future activities, the Circuit Court held:

> "each company to treat as its own, but only to the extent provided for in said contracts, all brands and trade-marks which by said contracts it was given the right to manufacture and sell,"

for the reason that:

> "the said rights having been perpetual and constituting in effect a conveyance of the brands and trade-marks used for the countries in which they were so used by each of the companies as aforesaid." (191 Fed. 418; see A13).

When this Court later had occasion to consider the effect of *United States* v. *American Tobacco Company, supra,* 221 U. S. 106 (1911) on trademarks in the United States, it affirmed that the 1911 decree vested trademark rights in the United States in the domestic company. In *Beech-Nut Packing Co.* v. *P. Lorillard Co.*, 273 U. S. 629, 631 (1927),[3] it said that "the Lorillard Company took over the mark with many others" upon the dissolution.

(b) The 1911 decree is not anti-competitive.

Imperial argues that American Tobacco Company should not be considered to have been the owner in the United States of PLAYER's under the 1911 decree, because it (Imperial) could not thereafter compete in the United States market because it could not use PLAYER's.

Aside from the fact that Imperial tried to use various United Kingdom trademarks in the United States in 1913, was stopped by American Tobacco Company, and then acquiesced in American Tobacco Company's position, and aside from the fact that it waited until 1957 to make any open use of PLAYER's in the United States, nevertheless, it is not true that Imperial may not now compete in the

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[3] Affirming 7 F. 2d 967, 968, 971, 3 Cir. 1925; affirming 299 Fed. 834, 837, 848, D.N.J. 1924.

United States. Even if Imperial had no other trademark in the United Kingdom than PLAYER'S, it could adopt another trademark to compete in the United States market. But Imperial has many other trademarks, which it uses in the United Kingdom, and it could, if it wished, use them to compete with the various tobacco companies doing business in the United States. It is peculiar, and, we submit, significant, that it now seeks to compete in the United States with the property of Philip Morris, the trademark PLAYER'S.

There is no support for Imperial's contention that such a decree in an Anti-Trust case recognizing and setting forth the trademark rights of the parties is anti-competitive in its effect. Such contention has recently been rejected in cases in two Circuits.[4] The cases were aftermaths of the other 1911 anti-trust case, that involving the Standard Oil trust (*Standard Oil Company* v. *United States*, 221 U. S. 1, 1911).

Standard Oil Co. v. *Humble Oil & Refining Co.*, 363 F. 2d 945, 954 (5th Cir. 1966), certiorari denied 385 U. S. 1007 (1967), held that Humble could compete with other oil companies in five southern states with trademarks other than Esso. In the instant case, the Court of Appeals, citing the *Humble* decision, held:

> "* * * we see no greater anti-competitive effect here than in any other case upholding a trademark as valid and prohibiting its infringement. Imperial is of course free to sell its other products in the country and may even sell its 'PLAYER'S' products if it uses a non-infringing trademark." (A4)

In *Humble Oil & Refining Co.* v. *American Oil Co.*, —— F. 2d —— (8th Cir., January 9, 1969—not yet reported), the Court held, quoting from the District Court, that Humble is:

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[4] There is no conflict among the Circuits.

> "at liberty to build all the filling stations, sell all the gasoline and do anything else they want to do, under the name 'ENCO' or any other name they choose to adopt other than 'Esso.' . . . This, they are and have been doing."

Similarly, here, Imperial could, if it wished, sell any or all of its products in the United States just so long as it does not use "PLAYER'S".

Conclusion

For the foregoing reasons, it is respectfully submitted that the Petition for a Writ of Certiorari should be denied.

Dated: New York, N. Y., February 4, 1969.

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